



AGC
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2023 AGC/FMI Risk Survey

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2023 Surety Bonding and Construction Risk Management Conference

#AGCRisk2023

risk.agc.org




KEY THEMES

- Top risks today and tomorrow
- A brewing storm
- Risk mitigation strategies



TOP RISKS TODAY AND TOMORROW





“The best way to predict your future is to create it.”
— Abraham Lincoln

Top Risks Today

Rank	2022	2023
1	Lack of skilled/craft workers	Price increases (materials&equipment)
2	Price increases (materials&equipment)	Lack of skilled/craft workers
3	Design-related issues	Lack of field supervisors
4	Changes in insurance terms/costs	Design-related issues
5	Subcontractor defaults	Changes in contract language

Top Risks Tomorrow

Limited supply of skilled/craft workers

54%



Economic slowdown

45%



Subcontractor default

33%



Cost escalation in materials and equipment due to supply chain disruptions

25%



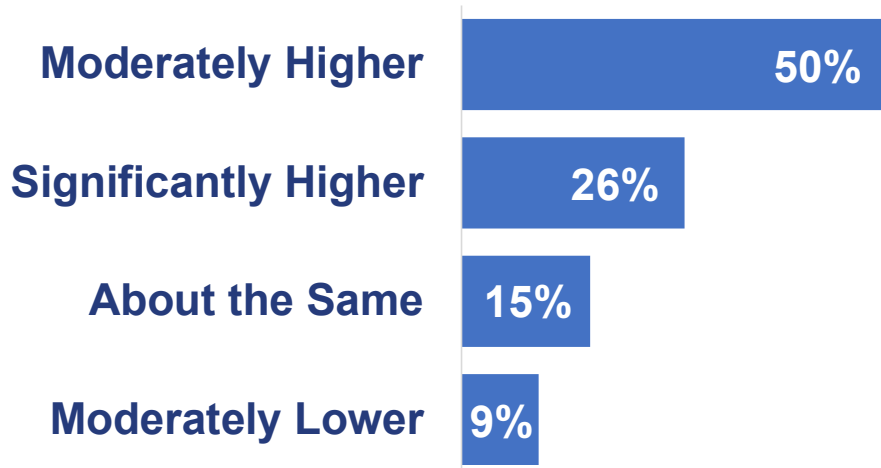
Project delays or cancellations

23%



Backlogs Still Look Strong But ...

Respondents report backlogs are:



Almost
70%
state their **labor force is low**
relative to
backlog needs.

Talent Shortages Persist

More than **50%**
of respondents reported a high- to
severe impact on their companies
due to talent shortages.

Source: 2023 FMI Talent Study

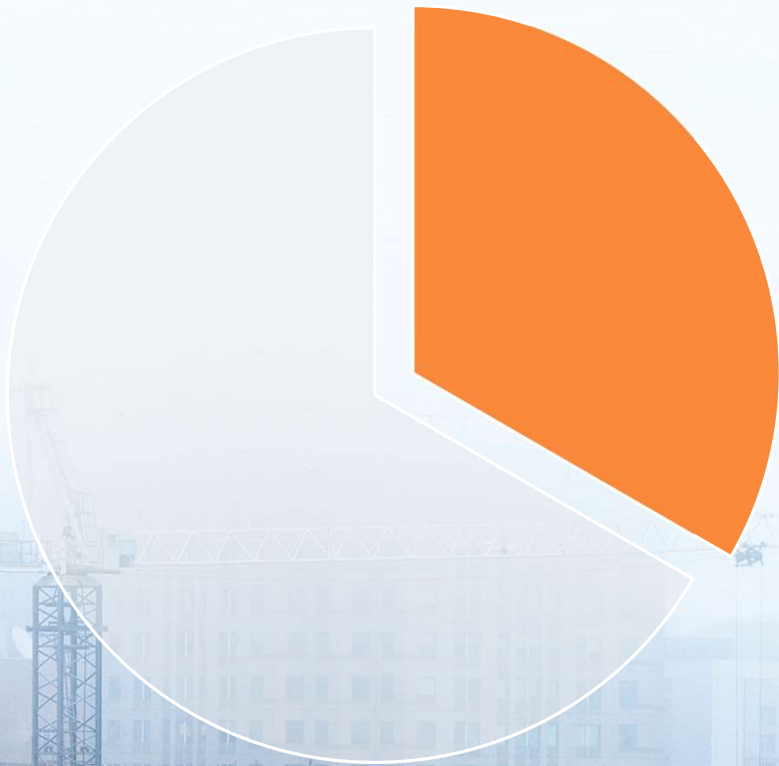




A BREWING STORM



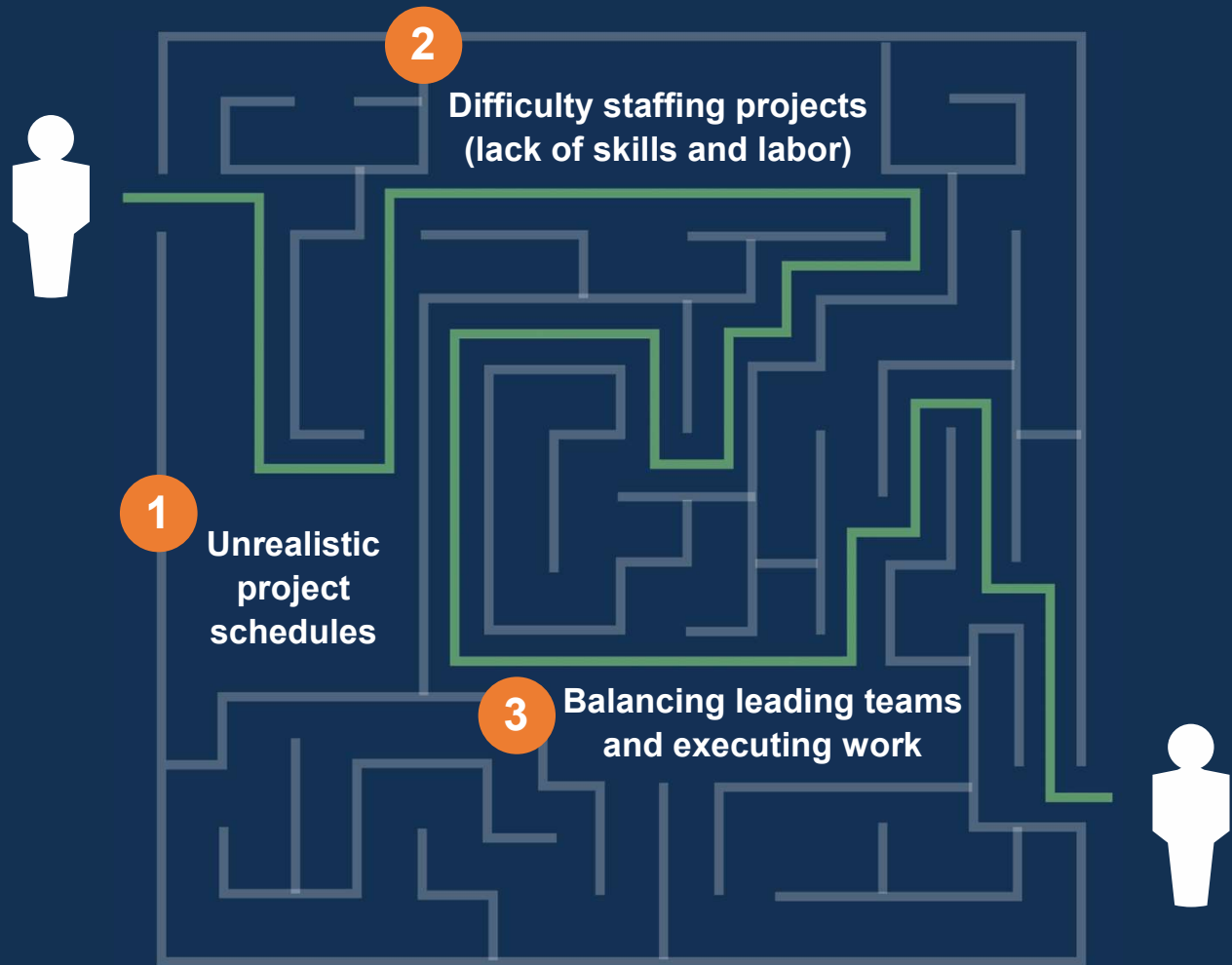
A Dangerous Risk Constellation ...



33%

**of respondents stated that
as many as **half** of their
field leaders have joined
within the last two years.**

Top 3 Challenges for Field Leaders



Source: 2023 FMI Talent Study

Keep Your Partners Close ...



Almost **40%** of survey respondents reported an increase in subcontractor defaults compared to a year ago.

Top Reasons for Project Delays or Cancellations

52%

ECONOMIC
UNCERTAINTY

46%

COST OF
CONSTRUCTION

42%

COST OF
CAPITAL

More than **90%** of respondents reported cancelled or delayed projects in the last six months.



Five Root Causes of Contractor Failure



**Poor
Strategic
Leadership**



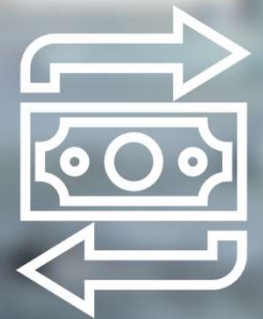
**Excessive
Ego**



**Too Much
Change**



**Loss of
Discipline**



**Inadequate
Capitalization**

Source: FMI Research

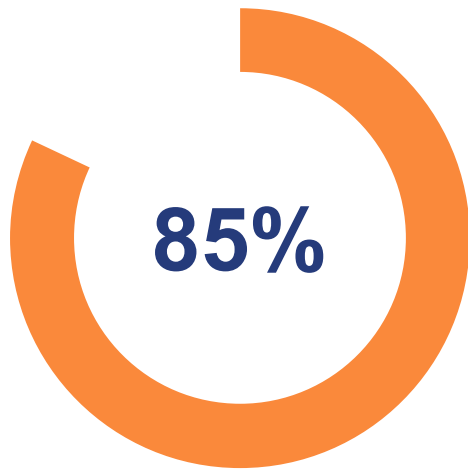


RISK MITIGATION STRATEGIES

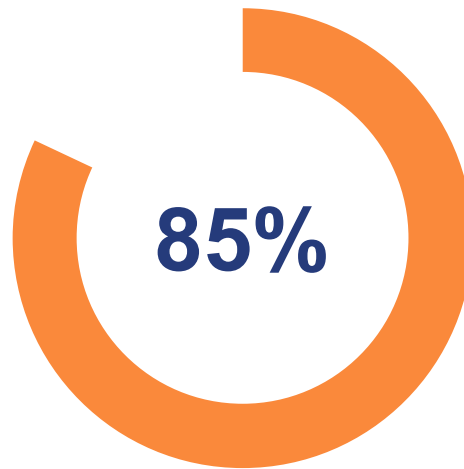


Playing Offense and Defense

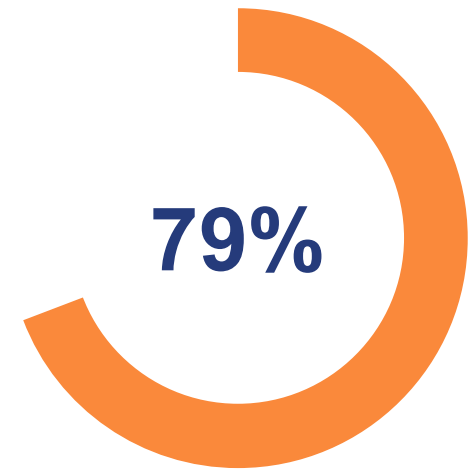
Contract language and pricing clauses are top risk mitigation measures.



Add contingencies in contract language



Lock in pricing



Add price-adjustment clauses

Playing Offense and Defense

What changes (if any) have you made to your subcontractor prequalification approach?



Increased **depth** of financial and staffing reviews

42%



Increased **frequency** of financial and staffing reviews

36%

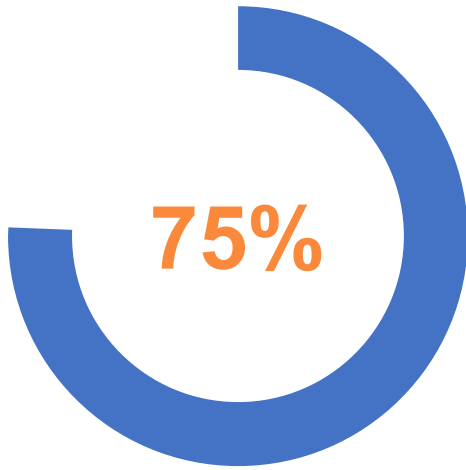


Looked for new subcontractors

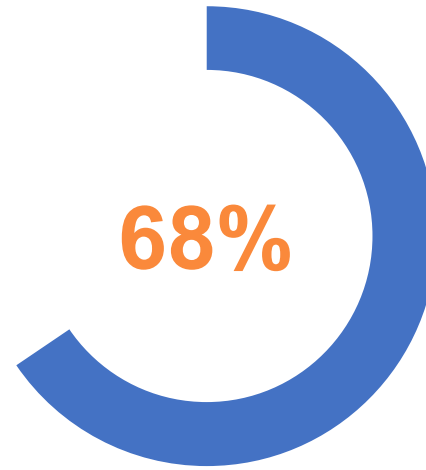
28%

Playing Offense and Defense

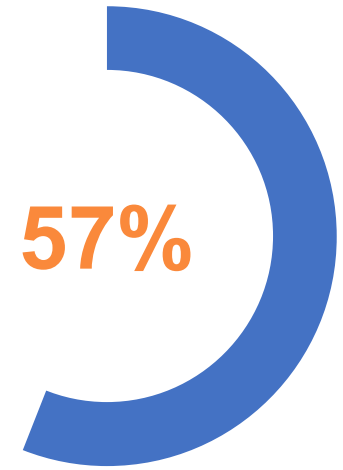
What risk management tools are you implementing most commonly today?



Subcontractor default insurance (SDI)



Conducting formal project risk assessments



Captive insurance company

Playing Offense and Defense

Top reasons for bringing design in-house

Rank	2019	2023
1	Improve communication with design firms	Improve communication with design firms
2	Facilitate communication with outside firms	Increase supervision of design firms
3	Increase supervision of design firms	Perform in-house design
4	Perform in-house design	Facilitate communication with outside firms
5	Develop formal expectation for design work	Develop formal expectation for design work



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